

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7629

BILL NUMBER: SB 504

NOTE PREPARED: Apr 10, 2007

BILL AMENDED: Apr 9, 2007

SUBJECT: TANF.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR: Rep. C. Brown

BILL STATUS: As Passed House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill changes references from "Aid to Families with Dependent Children (AFDC) program" to "Temporary Assistance for Needy Families (TANF) program".

The bill requires TANF applicants to participate in employment and job opportunities and that applicants who refuse to participate may be sanctioned. It removes a provision that makes a person convicted of specified misdemeanors ineligible for TANF. It also provides that an individual who has been convicted of a felony involving a controlled substance, that does not include an element of distribution or manufacturing of controlled substances, and has completed or is participating in certain substance abuse treatment programs or mental health programs may receive assistance under TANF for up to 12 months. The bill requires drug testing not less than once every two months for an individual who has been convicted of a felony involving a controlled substance. The bill also requires the Department of Correction to assist an offender with applying for TANF.

The bill specifies when a dependent child is eligible for TANF and removes the high school diploma or equivalency certificate requirement. The bill also makes certain TANF records confidential and not subject to disclosure. It repeals: (1) a provision requiring the diversion of a grant to subsidize child care costs; (2) a provision allowing for payment of care to be made directly to the person furnishing the care; (3) language regarding the amount of assistance available to a person who was previously eligible under AFDC; (4) a provision allowing the county office to designate a responsible person to receive assistance for a dependent child if the person essential to the well-being of the child is not providing proper care or not capable of properly spending assistance; (5) a provision allowing a person whose income would otherwise make the person ineligible for TANF to qualify for Medicaid assistance or transitional child care assistance under certain circumstances; (6) a provision allowing for a lawful permanent resident to be eligible for assistance

and transitional benefits for one year; (7) provisions requiring assistance certificates and certificate requirements; (8) a chapter on change of residence for TANF recipients; and (9) a provision requiring that payments must be made monthly to recipients by warrant. It also requires the Family and Social Services Administration to study tax relief and financial or medical assistance programs available to residents with incomes below the federal poverty income level.

Effective Date: (Amended) Upon Passage; July 1, 2007.

Explanation of State Expenditures: *Temporary Assistance for Needy Families Statutory Changes:* This bill makes multiple statutory changes pertaining to the TANF program. The Family and Social Services Administration (FSSA) reports that the changes are consistent with current practice. Thus, no fiscal impact is anticipated from the changes.

Auditor of State and Budget Agency: The bill requires the Auditor of State and Budget Agency to: (1) change the name of any account that refers to the AFDC program to the TANF program, and (2) make any other changes necessary to meet the requirements set forth in (1). Both the Auditor of State and Budget Agency should be able to do so within their existing level of resources.

(Revised) *Addition of Certain Controlled Substance Felons to TANF Eligible Persons:* Federal statute provides that individuals convicted of felony drug offenses are not eligible for TANF or Food Stamp Program benefits. However, states may opt out of this federal prohibition. Current Indiana statute provides that an individual convicted of an offense relating to controlled substances is ineligible to receive TANF assistance for ten years if convicted of a felony unless the individual is participating in a Reentry Court program.

This bill allows felony offenders who were convicted of possession or use of a controlled substance to receive TANF benefits if the individual convicted of a felony completes or participates in substance abuse or mental health treatment. If the offender chooses not to participate in treatment, the current sanction remains in place.

The bill limits the assistance to a period of time not to exceed one year. The amount of cash assistance associated with one member of the TANF assistance unit can be \$58.50 or \$90 monthly, depending on family size. (Dependent children would not necessarily lose benefits - only the adult's benefit would be affected.)

The number of persons eligible for TANF under the bill is unknown, however, are likely few. The total number of TANF closures or denials during SFY 2005 was approximately 840. This number would be greatly reduced by the number of those persons who were convicted of distribution or manufacturing a controlled substance. In addition, the requirement that the individual must either complete or be participating in a substance abuse treatment program provided by a certified addiction services provider, a mental health provider, the Department of Correction, a faith-based program certified by the Division of Mental Health and Addiction, or operated by the federal government may reduce the estimated expenditures somewhat if individuals choose not to participate. Expenditures may also be reduced due to legal custody issues involving the dependent children who would qualify the individual for TANF benefits.

The annual cost to the state of providing TANF cash assistance to all individuals whose TANF benefit has been discontinued or who has been denied a benefit due to a felony drug conviction of possession or use is not known. Actual expenditures would depend on the number of eligible persons and the dollar amount of their monthly assistance. [Note: There could be a related reduction of expenditures in the local Township Assistance programs to the extent that TANF cash assistance substitutes for local assistance. (See

Explanation of Local Expenditures, below.)]

Background on Funding Under the TANF Program - TANF assistance is shared between state and federal governments. However, the federal share is provided through a capped block grant allocation with a state maintenance-of-effort (MOE) requirement. The additional expenditures required under this bill would not affect the block grant allocation received by Indiana.

TANF block grant allocations are determined on a formula basis with increased flexibility for their use by the states over what was permitted under the prior Aid to Families with Dependent Children Program. States may use TANF funds in any "manner reasonably calculated to accomplish the purpose of TANF." TANF services can include a monthly cash assistance grant, eligibility for the Medicaid Program, and access to other programs and services designed to help recipients achieve economic self-sufficiency.

The maximum monthly cash grant as provided in statute is \$139 for a family size of one, \$229 for a family size of two, and an additional \$58.50 for each additional person. Cash assistance is limited to 24 months for parents and caretakers, and a 60-month limit on assistance exists for the entire assistance group. This bill would allow up to 12 months of cash assistance for individuals who were previously denied benefits.

(Revised) *FSSA Study*: The bill requires the office of the Secretary of Family and Social Services to study the: (1) tax relief available for Indiana residents with incomes under the federal poverty level, (2) availability of programs that provide financial or medical assistance to low-income Indiana residents with incomes under the federal poverty level, and (3) maximum government assistance income an individual could receive by pursuing and obtaining the benefits described in (1) and (2). The office is also required to submit a report of its findings, no later than December 31, 2007, to the Governor and the Legislative Council.

Explanation of State Revenues:

Explanation of Local Expenditures: *Addition of Controlled Substance Felons to TANF Eligible Persons:* An increase in TANF cash assistance paid to individuals who would no longer be sanctioned from the program could lead to a corresponding reduction in assistance paid to these individuals by locally funded Township Assistance programs.

Currently, if an individual is sanctioned from the TANF Program because of a drug conviction, township trustees are under no obligation to extend Township Assistance to the individual. This bill, however, eliminates the TANF sanction from statute. While Township Assistance programs are operated out of the 1,008 townships, the programs are administered under uniform standards. However, each program can differ with respect to income eligibility standards and benefit levels. The eligibility standards and benefit levels, by statute, must be consistent with the reasonable costs of basic necessities in the trustee's particular township. Township Assistance programs are funded through local revenues.

Explanation of Local Revenues:

State Agencies Affected: FSSA; Auditor of State; Budget Agency; Department of Correction.

Local Agencies Affected:

Information Sources: Jim Dunn, FSSA; Jessaca Turner Stults, FSSA; Amy Davis, FSSA.

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